

## AUDIT COMMITTEE

Minutes of Meeting held on Tuesday, 13<sup>th</sup> October 2015 at 5.30 p.m.  
in the Committee Room, Civic Centre, 10 Watson Terrace, Mount Gambier

PRESENT: Mr Jeroen Zwijnenburg (Presiding Member)  
Mr Donald Currie  
Cr Sonya Meziniec

APOLOGY/IES: Nil

COUNCIL MEMBERS/  
OTHERS AS  
OBSERVERS: Nil

GUESTS: Mr Simon Smith, Auditor, Galpins

COUNCIL EMPLOYEES  
IN ATTENDANCE: Mr Grant Humphries, Director - Corporate Services  
Mr Mark McShane, Chief Executive Officer  
Mr Gary Button, Finance Manager

OTHER APOLOGIES: Nil

**WE ACKNOWLEDGE THE BOANDIK PEOPLES AS THE TRADITIONAL CUSTODIANS OF THE LAND WHERE WE MEET TODAY. WE RESPECT THEIR SPIRITUAL RELATIONSHIP WITH THE LAND AND RECOGNISE THE DEEP FEELINGS OF ATTACHMENT OUR INDIGENOUS PEOPLES HAVE WITH THIS LAND.**

MINUTES: Donald Currie moved the minutes of the previous meeting held on Tuesday, 28<sup>th</sup> July, 2015 be taken as read and confirmed.

Cr Meziniec seconded

Carried

QUESTIONS:

- (a) With Notice – Nil received
- (b) Without Notice – Nil submitted

### **1. REPORTS FOR INFORMATION**

The Director - Corporate Services reported that the following Council Reports were provided to the Audit Committee for information:

- 1.1 CCS Report No. 61/2015 - Budget Update as at 30<sup>th</sup> June, 2015
- 1.2 CCS Report No. 62/2015 - Interim Budget Update (Introduction of Work in Progress Allocations)

### **RECOMMENDATION NO. 1**

**Cr Meziniec moved it be recommended that the above reports be received.**

**Donald Currie seconded**

**Carried**

**2. EXTERNAL AUDITOR - INTERIM AUDIT 2015 - Ref. AF12/227**

The Director - Corporate Services reported:

- (a) the 2014/2015 Interim Audit Management letter was an agenda item in July 2015 Audit Committee where it was resolved:

*"(a) the report be received;*

*(b) the identified 2014/2015 Audit Committee recommendations continue to be monitored by the Audit Committee;*

*(c) Council provide a suitable response to the Internal Audit findings."*

- (b) in respect of (b) and (c) above a copy of both the Interim Audit Committee findings and management response is provided for the Committee's reference.

| <b>Interim Audit</b> | <b>Finding</b>               | <b>Status</b>   |
|----------------------|------------------------------|-----------------|
| 2014/2015            | 1. Leave Policies            | Completed       |
|                      | 2. Risk Management           | Priority        |
|                      | 3. Lady Nelson Stock Control | To be completed |

**RECOMMENDATION NO. 2**

**Donald Currie moved it be recommended:**

**(a) the report be received;**

**(b) the Audit findings continue to be monitored by the Audit Committee.**

**Cr Meziniec seconded**

**Carried**

**3. EXTERNAL AUDITOR – END OF YEAR REPORT - Ref. AF12/227**

The Director - Corporate Services reported:

- (a) following the recent annual end of year (or statutory) audit, Council has now received the subsequent Audit Management letter;

**RECOMMENDATION NO. 3**

**Cr Meziniec moved it be recommended**

**(a) the letter be received and contents noted;**

**(b) the identified immaterial uncorrected statement (understated sick leave provision amount) referenced in the Audit Management letter be endorsed by Council as immaterial;**

**(c) the Audit findings and recommendations be referred to the Council administration for attention and to the Audit Committee for ongoing monitoring;**

**(d) Councils External Auditor be advised of this course of action.**

**Donald Currie seconded**

**Carried**

**4. AUDIT WORK PROGRAM 2014 - 2018 - Ref. AF11/863**

The Director - Corporate Services reported:

- (a) the Audit Committee should continually review the Audit Work Program to establish whether any adjustments are required to be introduced for the particular financial years activities;
- (b) the Audit Work Program 2014-2018 was last reviewed and adopted in August 2015;
- (c) the following activities and associated timelines (extracted from the Audit Work Program) are provided in abbreviated form, for the Committees reference and review:

**FIRST QUARTER**

- Work Plan
- Treasury Management Reviews
- Asset Reviews/Revaluation Strategy
- Policy reviews incorporating;
  - Internal Controls
  - Fraud and Corruption Framework
  - Whistleblowing
  - Risk Management
  - Budget Performance

**SECOND QUARTER**

- Interim External Audit
- Work Plan
- Business Continuity
- Business Plan and Budget

**THIRD QUARTER**

- Work Plan
- Annual Report to Council incorporating;
  - Self Assessment
  - Review of Work Plan
  - Review of Terms of Reference

**FOURTH QUARTER**

- Work Plan
- Statutory External Audit(Inc. Fin. Int. Controls)
- AFS authorisation by Presiding Member
- Council Annual Report Compliance

**RECOMMENDATION NO.4**

**Donald Currie moved it be recommended the report be received.**

**Cr Meziniec seconded**

**Carried**

**5. ADOPTION OF AUDITED FINANCIAL STATEMENTS - Ref. AF12/227**

The Director – Corporate Services reported:

**1. Annual Financial Statements**

- (a) Section 126 (4)(a) of the Local Government Act 1999 requires the City of Mount Gambier's Audit Committee to review the Annual Financial Statements for the year ended 30<sup>th</sup> June, 2015. A further requirement is that the Chief Executive Officer and the Presiding Member of the City of Mount Gambier's Audit Committee certify the independence of Council's Auditor, Galpins;

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- (b) the City of Mount Gambier's Annual Financial Statements for 2014/2015 have been prepared in accordance with the Local Government Act, the Local Government (Financial Management) Regulations 2011, the Australian Accounting Standards and the Model Financial Statements;
- (c) the City of Mount Gambier's Audit Committee is required to review the Annual Financial Statements to ensure they present fairly the state of affairs of Council, after which time the Annual Financial Statements can be certified and formally adopted by Council;
- (d) An analysis of the Annual Financial Statements and results for the year will be presented to Council in October, and a copy of that report is attached to this report for the Audit Committee's reference and review.

2. Independence of Council Auditor

- (a) Regulation 22 of the Local Government (Financial Management) Regulations 2011 provide in clauses (3) (a) and (4) that:
  - (3) *the following persons must each provide, on an annual basis, a statement that provides a certification as to compliance for the relevant financial year with the requirement that the auditor be independent of the Council, Council subsidiary or regional subsidiary (as the case may be):*
    - (a) *In a case involving a Council or Council subsidiary - the Chief Executive Officer of the relevant Council and the Presiding Member of the Audit Committee of the relevant body;*
  - (4) *A statement under sub-delegation (3) must accompany the financial statements for the relevant body;*
- (b) As the City of Mount Gambier has not engaged its Auditor, Galpins, to provide any services outside the scope of their function as auditor for the 2014/2015 financial year, it is recommended that the Chief Executive Officer and the Presiding Member of the Audit Committee co-sign the following statement:

*'To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the City of Mount Gambier for the year ended 30th June 2015, the Council's Auditor, Galpins, has maintained its independence in accordance with the requirements of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.'*

*'This statement is prepared in accordance with the requirements of Regulation 22 (3) Local Government (Financial Management) Regulations 2011'*

**RECOMMENDATION NO. 5**

**Cr Mezinec moved it be recommended:**

- (a) **the report be received;**
- (b) **In accordance with Section 126(4)(a) of the Local Government Act 1999 the Audit Committee advises that it has reviewed the annual financial statements of the Council for the year ended 30 June 2015 and is satisfied they present fairly the state of affairs of Council;**

- (c) **The Chief Executive Officer and Presiding Member of the City of Mount Gambier Audit Committee sign the statement to certify the independence of the Council Auditor, Galpins.**

**Donald Currie seconded**

**Carried**

**6. COUNCIL ANNUAL REPORT**

The Director – Corporate Services reported:

- (a) Council is required, under Section 127 of the Local Government Act 1999, to publish an annual report. The report must be provided to the Presiding Member of both Houses of Parliament by 30 November each year. The report provides information reflecting the City's operational and financial activities for the previous year. It also includes information relating to the operation of the City's Audit Committee.
- (b) The Annual Report is a vehicle for the publication of the City's end of year financial statements. These statements, reflecting the City's financial operation for the year, are also included in the Annual Report.
- (c) The operations of the Audit Committee of Council, along with other operational material, are outlined in the Annual Report which is currently being prepared for adoption by the Council. An extract from the Report of the proposed entries relating to Audit Committee activity during the 2014/15 financial year is attached for information/review.

**RECOMMENDTION NO. 6**

**Donald Currie moved it be recommended:**

- (a) **the report be received;**
- (b) **the draft Audit Committee, Annual Report entry be endorsed.**

**Cr Mezinec seconded**

**Carried**

**7. S A GRANTS COMMISSION - COMPARATIVE REPORTS - Ref. AF13/458**

The Director Corporate Services reported:

- (a) each financial year the S A Local Government Grants Commission prepares a range data sets from each Council's audited annual financial statements;
- (b) the reports for 2013/2014 have recently been received and have been arranged in two reporting formats:
- in comparative format
  - in time series format

**RECOMMENDATION NO. 7**

**Cr Mezinec moved it be recommended that the S A Grants Commission database reports for 2013/2014 be received for information.**

**Donald Currie seconded**

**Carried**

**8. NEXT MEETINGS**

- Tuesday, 22<sup>nd</sup> March, 2016
- Tuesday, 31<sup>st</sup> May, 2016
- Tuesday, 2<sup>nd</sup> August, 2016
- Tuesday, 4<sup>th</sup> October, 2016

The meeting closed at 6.18 p.m.

CONFIRMED THIS                      DAY OF    , 2015.

.....  
PRESIDING MEMBER

14<sup>th</sup> October, 2015  
MJT